

BUSHBUCKRIDGE LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

General Information

LEGAL FORM OF ENTITY

Local Municipality

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Provision of municipal services in terms of the Municipal Systems Act No.32 of 2000 (MSA) and Municipal Finance Management Act No.56 of 2003

MAYORAL COMMITTEE

Executive Mayor

Nxumalo CS

Speaker

Raganya BR

Chief Whip

Makaringe TM

Member of Mayoral Committee

Nkuna BV

Member of Mayoral Committee

Selowe PT

Member of Mayoral Committee

Mathebula S

Member of Mayoral Committee

Mokoena BR

Member of Mayoral Committee

Malandule BW

Member of Mayoral Committee

Sithole L

Member of Mayoral Committee

Malomane LM

Service Delivery Committee Chairperson

Malebe LR

Municipal Public Accounts Committee Chairperson

Mapiyeye AM

Councillors

Chadi SM

Chiloane LB

Dube KI

Gubayi P

Gumede MP

Hlathi XE

Kgoedi A

Khosa LE

Lekhuleni ML

Leshaba P

Maatsie-Mlambo VT

Mageza K

Makhubela SO

Malahle C

Malebe LR

Malele ED

Malibe TD

Mashava IS

Mashego D

Mashile ET

Mashilwane SM

Mathebula AM

Mathebula G

Mathebula M

Mathebula O

Matjia KG

Mbandze F

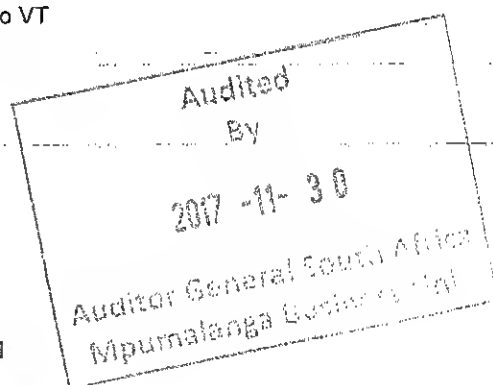
Mdluli DV

Mgwena MJ

Mhaule LS

Mhlaba RS

Mkasi WM



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

General Information

Mkhonto VM
Mnene F
Mnisi ML
Mohlabane MM
Mokoena BK
Mkhonto VM
Mokoena PD
Mokome MP
Mokone SD
Moropana BD
Mthisi CR
Mthombeni LI
Mzimba VN
Ndlovu L
Ndlovu ML
Ngomane TW
Nkope SM
Nkuna LM
Nkuna SS
Nonyane DC
Nxumalo TA
Nyudu EM
Phelepe MS
Pilane KP
Qhibi R
Sambo GL
Sedibe RT
Seerane KA
Shilane MP
Sihlabela HE
Siwela PF
Thabane NP
Thobakgale HP
Tivane NW
Zitha RS

ACCOUNTING OFFICER

CHIEF FINANCIAL OFFICER (CFO)

REGISTERED OFFICE

POSTAL ADDRESS

BANKERS

AUDITORS

Mr CJ Lisa

Mrs CA Nkuna

R533 Graskop Road
Bushbuckridge
1280

Private Bag X9308
Bushbuckridge
1280

First National Bank
Standard Bank of South Africa

The Auditor General South Africa (AGSA)



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

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ABBREVIATIONS

AGSA	Auditor General of South Africa
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IMATU	Independent Municipal and Allied Trade Union
INEP	Integrated National Electrification Program
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal System Improvement Grant
MWIG	Municipal Water Infrastructure Grant
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
SARS	South African Revenue Services
WIP	Work in progress

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and Municipal Finance Management Act (MFMA).


The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

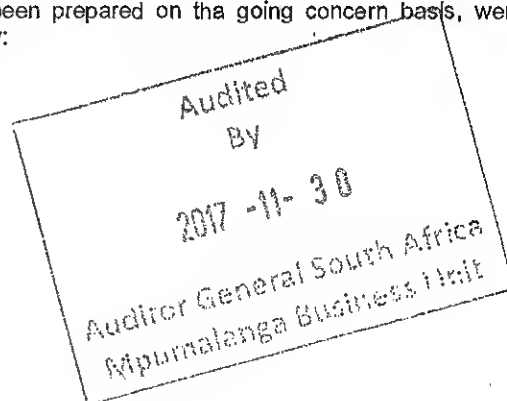
The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 67, which have been prepared on the going concern basis, were approved by the council on 24 August 2017 and were signed on its behalf by:


Mr CJ Lisa
Accounting Officer



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and meets on a regular basis per annum as per its approved terms of reference. During the current year six meetings were held.

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
Roy Mnisi (Chairperson)	5 (Joined 1 October 2013) and contract expired (10 February 2017)
Tivetile N Maseko-Mthembu	5 (Joined 1 October 2013) and Resigned (26 May 2017)
Vincent F.M. Bhengu	6 (Joined 5 December 2015)
August C Keyser	6 (Joined 3 December 2015)
Sithole Jerry Khethiwe	2 (Joined 26 January 2017)
Ngobeni Jasper (Chairperson)	2 (Joined 26 January 2017)

AUDIT COMMITTEE RESPONSIBILITY

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of The Auditor General of South Africa, any material deficiencies in the system of internal controls or any deviations there from are disclosed in their Audit Report (Other Matters).

QUALITY OF PERIODIC REPORTS

The audit committee is satisfied with the content and quality of the monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The audit committee has:

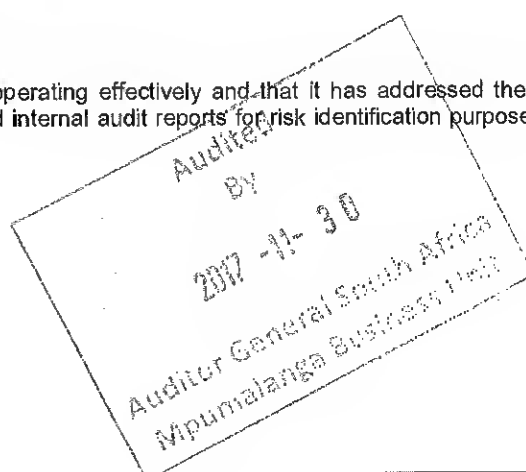
- reviewed the Auditor General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entity's compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

INTERNAL AUDIT

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits. The external auditors used internal audit reports for risk identification purposes but did not place reliance on the internal audit reports.

Chairperson of the Audit Committee

Date: _____



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2017.

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

The municipality is engaged in provision of municipal services in terms of Municipal Systems Act no: 32 of 2010 (MSA) and Municipal Finance Management Act 56 of 2003 (MFMA) and operates principally in South Africa. Net surplus of the municipality was R 730,231,770 (2016: surplus R 467,972,215).

2. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. ACCOUNTING OFFICER'S INTEREST IN CONTRACTS

The Accounting Officer declared his interest in terms of the Supply Chain Management Regulations.

4. ACCOUNTING POLICIES

The annual financial statements were prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standard Board and as per the prescribed framework by National Treasury.

5. ACCOUNTING OFFICER

The Accounting Officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr CJ Lisa	South African

6. CORPORATE GOVERNANCE

GENERAL

The Accounting Officer is committed to business integrity, transparency and professionalism in all activities. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Governance Practices and Conduct ("the Code") laid out in the King Report IV. The Accounting Officer discusses the responsibilities of management in this respect, at management meetings and monitors the municipality's compliance with the code on a regular basis.

INTERNAL AUDIT

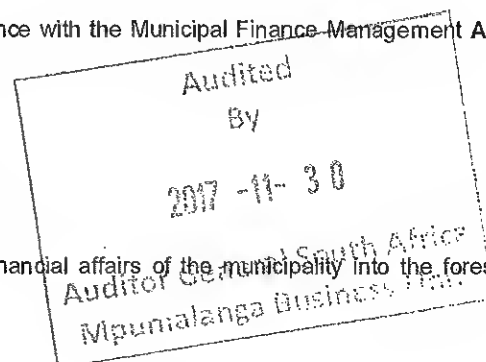
The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 56 of 2003.

7. BANKERS

The municipality's bankers did not change during the year under review.

8. AUDITORS

The Auditor General South Africa (AGSA) will continue to audit the financial affairs of the municipality into the foreseeable future.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories	6	3,115,673	4,782,976
Receivables from non-exchange transactions	7	431,123,910	328,102,686
VAT receivable	8	118,158,372	87,319,506
Receivables from exchange transactions	9	301,370,150	175,980,889
Cash and cash equivalents	10	98,339,417	135,582,717
		952,107,522	731,768,774
Non-Current Assets			
Investment property	3	10,063,962	10,967,990
Property, plant and equipment	4	3,044,797,041	2,523,697,345
Intangible assets	5	891,041	982,722
		3,055,752,044	2,535,648,057
Total Assets		4,007,859,566	3,267,416,831
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	539,092,096	480,552,331
Consumer deposits	12	2,440,536	2,423,025
Unspent conditional grants and receipts	14	7,580,329	61,456,320
Provisions	13	57,731,376	58,418,017
		606,844,337	602,849,693
Non-Current Liabilities			
Provisions	13	45,114,761	39,120,176
Total Liabilities		651,959,098	641,969,869
Net Assets		3,355,900,468	2,625,446,962
Accumulated surplus		3,355,900,468	2,625,446,962

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets as at 30 June 2017

Figures in Rand	Accumulated surplus	Total net assets
Balance as at 30 June 2015	2,309,068,723	2,309,068,723
Prior year adjustments- Refer to Note 39	(6,165,000)	(6,165,000)
Restated Balance at 01 July 2015	2,302,903,723	2,302,903,723
Surplus for the year	456,504,537	456,504,537
Correction of error in 2015/16	(34,887,835)	(34,887,835)
Correction of error in 2014/16	(99,073,463)	(99,073,463)
Total changes	322,543,239	322,543,239
Balance at 01 July 2016	2,625,446,959	2,625,446,959
Net income (losses) recognised directly in net assets		
Surplus for the year	730,231,770	730,231,770
Surplus for the year	730,231,770	730,231,770
Net adjustments in current year	221,739	221,739
Total changes	730,453,509	730,453,509
Balance at 30 June 2017	3,355,900,468	3,355,900,468

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance for the year ending 30 June 2017

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	16	39,388,438	31,208,683
Rental of facilities and equipment	17	1,108,530	822,908
Agency services	18	10,353,927	9,574,719
Licences and permits	19	153,310	348,086
Other income	20	23,296,333	2,681,659
Interest earned	21	121,533,340	114,063,173
Total revenue from exchange transactions		195,833,878	158,699,228
Revenue from non-exchange transactions			
TAXATION REVENUE			
Property rates	22	160,280,800	168,493,460
TRANSFER REVENUE			
Realisation of grants	23	1,321,757,494	1,081,238,703
Fines and penalties	24	11,761,564	6,224,938
Total revenue from non-exchange transactions		1,493,799,858	1,255,957,101
Total revenue	15	1,689,633,736	1,414,656,329
Expenditure			
Employee related costs	25	(362,349,050)	(326,242,396)
Remuneration of councillors	26	(28,075,753)	(25,388,231)
Depreciation and amortisation	27	(83,131,938)	(76,701,074)
Finance costs	28	(22,850,016)	(14,453,796)
Impairment of receivables	29	(69,547,148)	(114,749,428)
Repairs and maintenance	30	(25,340,106)	(36,295,408)
Bulk purchases	31	(212,877,636)	(206,124,842)
Contracted services	32	(56,729,639)	(45,705,894)
Grant funded expenditure	33	(16,600,813)	(37,066,989)
General expenses	34	(74,794,094)	(74,029,833)
Total expenditure		(952,296,193)	(956,757,891)
Operating surplus		737,337,543	457,898,438
Gain/(Loss) on disposal of assets		(9,627,119)	1,072,093
Actuarial (losses)/gains		2,521,346	(2,465,994)
		(7,105,773)	(1,393,901)
Surplus for the year		730,231,770	456,504,537

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Cash Flow Statement as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from customers		58,651,072	52,637,339
Grants		1,267,881,503	1,224,711,000
Interest earned		13,355,531	13,803,987
		<u>1,339,888,106</u>	<u>1,291,152,326</u>
Payments			
Employee costs		(390,424,803)	(351,630,627)
Suppliers		(373,279,409)	(463,407,647)
Finance costs		(32,666)	(14,453,796)
		<u>(763,736,878)</u>	<u>(829,492,070)</u>
Net cash flows from operating activities	36	<u>576,151,228</u>	<u>461,660,256</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(613,827,802)	(529,435,261)
Proceeds from sale of assets	4	1,238,517	1,699,747
Investment Property	3	-	(11,874,495)
Purchase of intangible assets	5	(805,243)	(102,868)
Net cash flows from investing activities		<u>(613,394,528)</u>	<u>(539,712,877)</u>
Net Increase in cash and cash equivalents		<u>(37,243,300)</u>	<u>(78,052,621)</u>
Cash and cash equivalents at the beginning of the year		135,582,717	213,635,338
Cash and cash equivalents at the end of the year	10	<u>98,339,417</u>	<u>135,582,717</u>

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual for the year ended 30 June 2017

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	53,963,000	8,340,000	62,303,000	39,388,438	(22,914,562)	1
Rental of facilities and equipment	1,018,000	200,000	1,218,000	1,108,530	(109,470)	
Agency services	9,550,000	-	9,550,000	10,353,927	803,927	
Licences and permits	17,767,000	-	17,767,000	153,310	(17,613,690)	2
Other income	3,998,000	550,000	4,548,000	23,296,333	18,748,333	3
Interest earned	11,893,000	2,000,000	13,893,000	13,355,531	(537,469)	4
Interest on outstanding debtors	26,000,000	8,000,000	34,000,000	108,177,809	74,177,809	5
Total revenue from exchange transactions	124,189,000	19,090,000	143,279,000	195,833,878	52,554,878	

Revenue from non-exchange transactions

Taxation revenue

Property rates	180,000,000	-	180,000,000	160,280,800	(19,719,200)	6
Transfer revenue						
Government grants & subsidies	1,309,339,000	(41,000,000)	1,268,339,000	1,321,757,494	53,418,494	7
Fines, penalties and forfeits	2,625,000	-	2,625,000	11,761,564	9,136,564	8
Total revenue from non-exchange transactions	1,491,964,000	(41,000,000)	1,450,964,000	1,493,799,858	42,835,858	
Total revenue	1,616,153,000	(21,910,000)	1,594,243,000	1,689,633,736	95,390,736	

Expenditure

Employee costs	(338,150,000)	(17,420,000)	(355,570,000)	(362,349,050)	(6,779,050)	9
Remuneration of councillors	(31,841,000)	1,050,000	(30,791,000)	(28,075,753)	2,715,247	10
Debt Impairment	(83,000,000)	(30,000,000)	(113,000,000)	(69,547,148)	43,452,852	13
Depreciation and amortisation	(45,150,000)	(25,000,000)	(70,150,000)	(83,131,938)	(12,981,938)	11
Finance costs	(606,000)	-	(606,000)	(22,850,016)	(22,244,016)	12
Repairs and maintenance	(44,485,000)	4,000,000	(40,485,000)	(25,340,106)	15,144,894	14
Bulk Purchases	(185,000,000)	(30,000,000)	(215,000,000)	(212,877,638)	2,122,364	15
Contracted services	(42,271,000)	(1,180,000)	(43,451,000)	(56,729,639)	(13,278,639)	16
Grant funded expenditure	(11,120,000)	(1,900,000)	(13,020,000)	(16,600,813)	(3,580,813)	17
General expenses	(97,836,000)	7,840,000	(89,996,000)	(74,794,094)	15,201,906	18
Total expenditure	(879,459,000)	(92,610,000)	(972,069,000)	(952,296,193)	19,772,807	
Operating surplus	736,694,000	(114,520,000)	622,174,000	737,337,543	115,163,543	
(Loss)/Gain on disposal of assets	525,000	-	525,000	(9,627,119)	(10,152,119)	19
Actuarial gains/losses	-	-	-	2,521,346	2,521,346	20
	525,000	-	525,000	(7,105,773)	(7,630,773)	
Surplus before taxation	737,219,000	(114,520,000)	622,699,000	730,231,770	107,532,770	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	737,219,000	(114,520,000)	622,699,000	730,231,770	107,532,770	

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual for the year ended 30 June 2017**Budget on Accrual Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3,895,000	-	3,895,000	3,115,673	(779,327)	
Receivables from non-exchange transactions	569,000,000	-	569,000,000	431,123,910	(137,876,090)	21
VAT receivable	-	-	-	118,158,372	118,158,372	22
Receivables from exchange transactions	464,000,000	174,000,000	638,000,000	301,370,150	(336,629,850)	23
Cash and cash equivalents	196,000,000	(90,000,000)	106,000,000	98,339,417	(7,660,583)	24
	1,232,895,000	84,000,000	1,316,895,000	952,107,522	(364,787,478)	
Non-Current Assets						
Investment property	-	-	-	10,063,962	10,063,962	36
Property, plant and equipment	3,538,962,000	(565,250,000)	2,973,712,000	3,044,797,041	71,085,041	25
Intangible assets	4,658,000	(3,445,000)	1,213,000	891,041	(321,959)	26
	3,543,620,000	(568,695,000)	2,974,925,000	3,055,752,044	80,827,044	
Total Assets	4,776,615,000	(484,695,000)	4,291,820,000	4,007,859,566	(283,960,434)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	338,000,000	50,000,000	388,000,000	539,092,094	151,092,094	27
Consumer deposits	2,411,000	-	2,411,000	2,440,536	29,536	
Unspent conditional grants and receipts	-	-	-	7,580,329	7,580,329	28
Provisions	31,251,000	-	31,251,000	57,731,376	26,480,376	29
Bank overdraft	-	40,000,000	40,000,000	-	(40,000,000)	37
	371,662,000	90,000,000	461,662,000	606,844,335	145,182,335	
Non-Current Liabilities						
Provisions	130,254,000	-	130,254,000	45,114,761	(85,139,239)	29
Total Liabilities	501,916,000	90,000,000	591,916,000	651,959,096	60,043,096	
Net Assets	4,274,599,000	(574,695,000)	3,699,904,000	3,355,900,470	(344,003,530)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	4,274,599,000	(574,695,000)	3,699,904,000	3,355,900,470	(344,003,530)	

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Mpumalanga Business Unit

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual for the year ended 30 June 2017

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipts	107,358,000	-	107,358,000	58,651,072	(48,706,928)	30
Grants	1,309,339,000	(41,000,000)	1,268,339,000	1,267,881,503	(457,497)	31
Interest income	37,893,000	-	37,893,000	13,355,531	(24,537,469)	32
	1,454,590,000	(41,000,000)	1,413,590,000	1,339,888,106	(73,701,894)	
Payments						
Suppliers and employee costs	(739,583,000)	42,003,000	(697,580,000)	(763,704,212)	(66,124,212)	33
Finance costs	(606,000)	-	(606,000)	(32,666)	573,334	34
Other payments	(11,120,000)	-	(11,120,000)	-	11,120,000	33
	(751,309,000)	42,003,000	(709,306,000)	(763,736,878)	(54,430,878)	
Net cash flows from operating activities	703,281,000	1,003,000	704,284,000	576,151,228	(128,132,772)	
Cash flows from Investing activities						
Purchase of property, plant and equipment	(739,839,000)	113,794,000	(626,045,000)	(614,633,045)	11,411,955	335
Proceeds from sale of property, plant and equipment & Intangible assets	525,000	-	525,000	1,238,517	713,517	
Net cash flows from Investing activities	(739,314,000)	113,794,000	(625,520,000)	(613,394,528)	12,125,472	
Net increase/(decrease) in cash and cash equivalents	(36,033,000)	114,797,000	78,764,000	(37,243,300)	(116,007,300)	
Cash and cash equivalents at the beginning of the year	125,000,000	-	125,000,000	135,582,717	10,582,717	
Cash and cash equivalents at the end of the year	88,967,000	114,797,000	203,764,000	98,339,417	(105,424,583)	

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

2017

2016

VARIANCE EXPLANATIONS.

1. Service charges : the variance is due to a considerable number of faulty meters and slow formalisation of townships among other issues in most areas within the municipality therefore billing was not done as anticipated.
2. Licence and permits: the municipality had anticipated to register more business trading, traffic licenses in the current year. Due to the economic reasons lesser businesses registered for trading licensing.
3. Other income: the variance is due to non-cash donations from other government institutions and a debtor raised against Eskom
4. Interest received : the municipality did not maintain positive balance throughout the current year due to cashflow constraints hence interest received from the bank is low than anticipated.
5. Interest on outstanding debtors: due to the slow payment of debtors the municipality realised an increase in interest on outstanding balances.
6. Property rates: a considerable number of properties where the transfer of deed has not been completed and were in the name of the municipality were not billed for rates. This led to a variance lower than anticipated.
7. Government grants and subsidies: the municipality anticipated to receive more from National Treasury on Grants.
8. Fines: a service provider was appointed to issue traffic fines on behalf of the municipality and this aided the increase in fines then anticipated.
9. Employee related costs: the variance was due to the revised approved organogram to cater for vacant positions as well as overtime, shift and standby allowances.
10. Remuneration of councillors: the upper limits were implemented as directed by SALGA.
11. Depreciation: increased asset values and write downs during the year than anticipated.
12. Finance costs: Interest was charged on late payments of Rand Water, the Auditor General end this marginally led to significant variances between actual and the budget.
13. Impairment of receivables: the municipality collection rate was low during the year and a considerable number of consumers are indigent hence an marginal increase in impairment.
14. Repairs and maintenance: Cost curtailment and proper usage of resources during the year.
15. Bulk purchases: water restrictions and cuts led to low usage hence low billings from Rand Water.
16. Contracted Services: there contracts for security services were extend for three months to enable the process of appointment of new security companies. Security had to be revamped to ensure no recurrent break ins.
17. Grant funded expenditure: the implementation of the indigent register during the current year gave rise to the increased actual funds spent than anticipated.
18. General expenditure: there was a reduction in expenditure during the year due to cost curtailment.
19. Gain on disposal of assets: there was no anticipation on the sale of assets in the current year hence no budget for it.
20. Actuarial gains: long service actuarial gains realised in the current year.
21. Receivable from non exchange: there was an increase in impairment which gave rise to substantial variance.
22. VAT receivable: this was a result of proper application controls to ensure accuracy on both input and output VAT.
23. Receivable from exchange transactions : there was data cleansing during the year under review and an assessment of payment patterns for each debtor was conducted and significant impairment adjustments were done to the gross debtors amounts.

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Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand	2017	2016
24. Cash and cash equivalents: there was spending in the allocated conditional grants as well as the repayments of Rand Water debt significantly led to the reduction in cash position.		
25. Property, plant and equipment : Increased funding for capital projects for MIG, WSIG and RBIG led to the implementation of capital projects hence increase in asset base than anticipated during budget preparations.		
26. Intangible assets : higher amortisation of intangible assets as the useful life is now reached.		
27. Payables from exchange transactions: the municipality settled long outstanding creditors including the Rand Water debt leading to the reduction in accounts payable.		
28. Unspent grants: there was no expectation of a rollover for grants. There were project savings from the project implemented this year.		
29. Provisions: the useful lives of landfill sites were reviewed to nil thus the rehabilitation costs falls due in the next twelve months.		
30. Receipts from customers: the anticipated collections from government departments and other customers didn't take place during the year. The debt collector was appointed late and collections are likely to increase in the 2017/18 year.		
31. Grants: this was a result of full utilisation of conditional grants and realisation thereof.		
32. Interest income: lower interest earned from the bank balances than anticipated.		
33. Supplier and employee costs: the variance is due to increased expenditure in the year under review and payments made in the settlement of creditors, including significant payment to reduce the Rand Water balance as per settlement agreement as well as catering for the implementation of upper limits as per SALGA.		
34. Finance costs: Interest charged on default of water payments .		
35. Purchase of property plant and equipment: current year additions were not as initially anticipated as there was a reduction in RBIG funding.		
36. Investment property: the municipality changed its accounting policy for asset management in line with the applicable standard hence the initial recognition of investment property adjusted in retrospect.		
37. Bank overdraft: the municipality applied for an overdraft during the year to smoothen operations and this was unintended during the initial budget process. The overdraft was however paid during the course of the year.		

REASONS FOR AN ADJUSTMENT BUDGET:

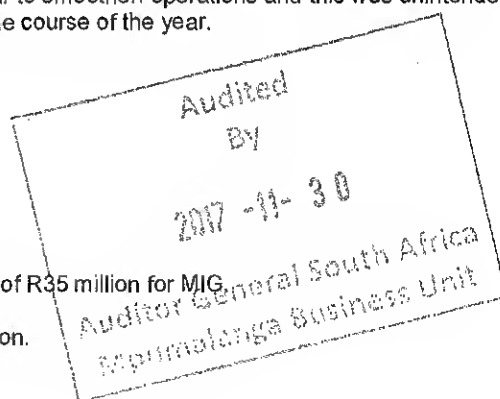
The budget was adjusted for the following reasons;

1) Grants income

- The National Treasury provided the municipality with additional funding of R35 million for MIG.
- The RBIG grant was reduced from R100m initially allocated to R40 million.
- An additional R20 million was allocated to the WSIG grant.
- Non approval of MWIG unspent funds for 2015/16 financial year amounting to R20 million.

2) Expenditure

- Employee cost- the upward revision was to cater for the new posts.
- Remuneration of councillors- the downward revision of the budget was a resultant of the correct implementation of the upper limits.



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Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand	2017	2016
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c) Bulk purchases -to cater for the increased water demand hence the budget was adjusted as such.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies for the year ended 30 June 2017

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of annual financial statements, is disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation of uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment of trade and other receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The calculation in respect of the impairment of debtors is based on assessment of the extent to which debtors have defaulted on payments already due to uncertainty surrounding the recoverability of the outstanding amount. This was performed per debtor.

The impairment of trade receivables is calculated based on the grading of individual debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amount. Debtors are graded on the following basis:

Grade A: No provision. Customer payments are up to date. There is no balance in arrears.

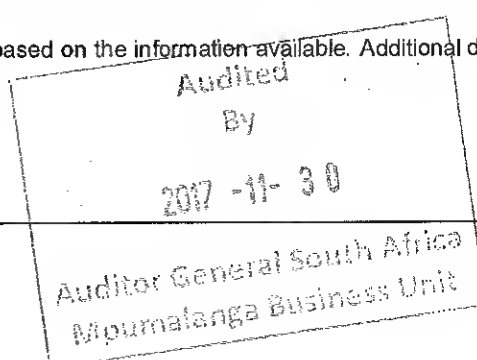
Grade B: 100% of balance outstanding in excess of 90 days: Customers with a payment history but with balances outstanding in excess of 90 days. The balance outstanding in excess of 90 days is provided for in full.

Grade C: 100% of total balance outstanding on account. Customers with no payment history. Accounts are considered to be delinquent. The balance is provided for in full (100% of the amount outstanding).

Government debtors are excluded from provision calculation as they generally have a history of meeting their obligations.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 13 - Provisions.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies for the year ended 30 June 2017

1.3 Significant judgements and sources of estimation of uncertainty (continued)

Useful lives of waste water and water network assets and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Depreciation and carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

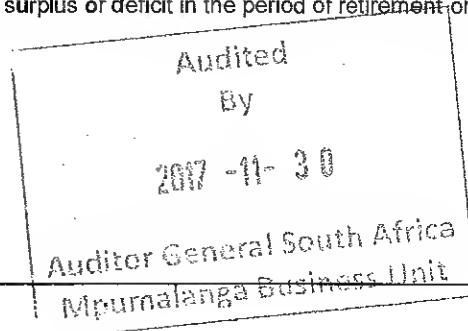
Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies for the year ended 30 June 2017

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for work in progress which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Community Assets	Straight line	3-82 years
Buildings	Straight line	3-41 years
Infrastructure Assets	Straight line	2-100 years
Motor Vehicles	Straight line	3-10 years
Computer Equipment	Straight line	2-10 years
Furniture and Office Equipment	Straight line	1-12 years
Other Machinery and Equipment	Straight line	1-20 years
Temporary Operational Buildings	Straight line	5-60 years

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies for the year ended 30 June 2017

1.5 Property, plant and equipment (continued)

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

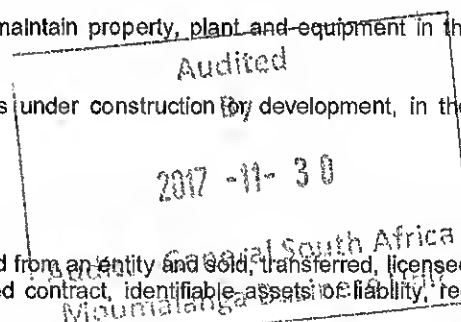
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:



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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies for the year ended 30 June 2017

1.6 Intangible assets (continued)

Item	Useful life
Computer software, other	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A financial asset is:

- cash; or
- receivables.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables	Financial asset measured at amortised cost
cash	Fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
payables from exchange transactions	Financial liability measured at amortisation cost

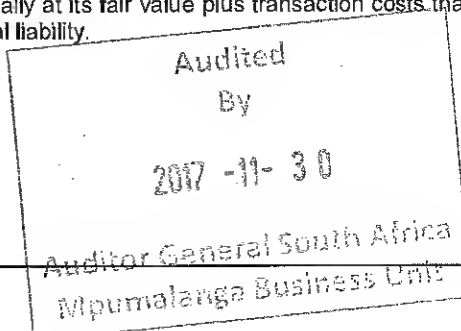
Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The municipality recognises a financial asset or a liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies for the year ended 30 June 2017

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability and the consideration paid is recognised in surplus or deficit.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies for the year ended 30 June 2017

1.7 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash that are held with registered banking institutions and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Trade payables

Trade payables are measured at fair value.

Liabilities for annual leave (accrued leave) and annual bonus are recognised as they accrue to employees. Accrual is based on potential liability to the municipality.

Receivables

Receivables are measured at fair value.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probably that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

Amounts receivable within 12 months from date of reporting are classified as current.

1.8 Leases

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories consist of raw materials, water and consumables.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

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1.9 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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1.11 Impairment of non-cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

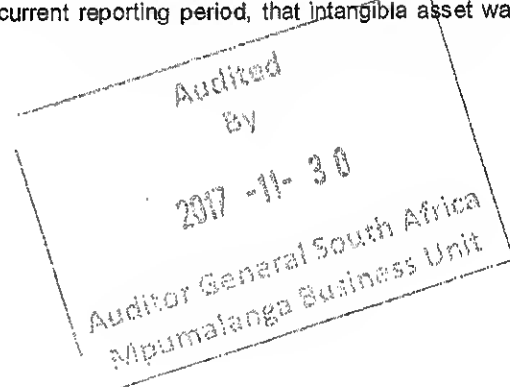
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.



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1.11 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets' remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.12 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity pays post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: defined contribution plans

Defined contribution plans are post-employment benefit plans under which a entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

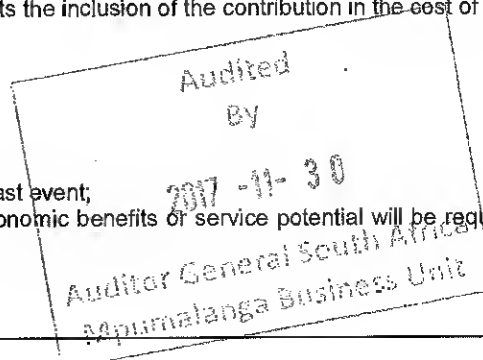
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

The municipality does not have any post employment benefits.

1.13 Provisions and contingencies

Provisions are recognised when:

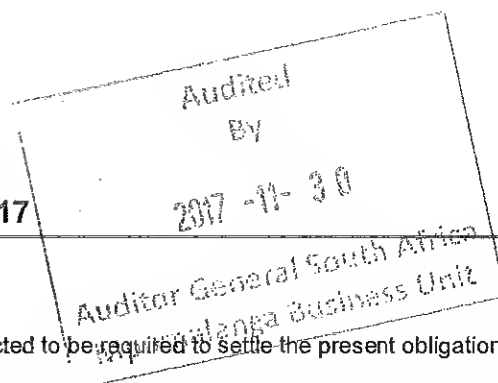
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

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1.13 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

1.14 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. Commitments represent goods/services that have been ordered, but no delivery has taken place at the reporting date.

Approved and contracted commitments represent expenditure that has been approved and the contract awarded at the reporting date.

Approved and not yet contracted commitments represent the expenditure that has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.

Commitments are disclosed in the financial statements if they meet the following criteria;

- the underlying contracts are non-cancellable or only cancellable at significant cost; and
- contracts relate to non-routine transactions.

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are shown in the disclosure notes to the extent that such amounts have not been recorded in the financial statements. Commitments disclosed in the notes to the financial statements represent the aggregate amount of the capital and current expenditure at the reporting date.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

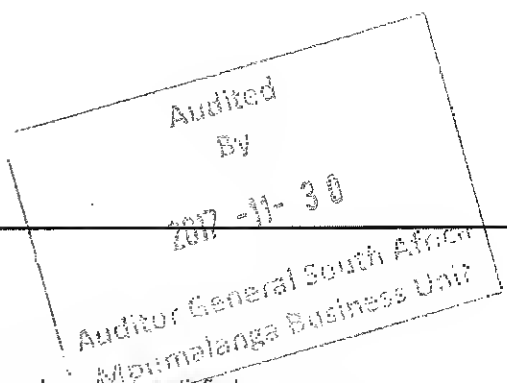
Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

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1.15 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges

Water - charges relating to the distribution of water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates on the consumption history are made on a monthly basis when meter readings have not been performed. Approved tariffs are levied on different categories of property on a monthly basis.

Refuse - refuse removal is recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and levied on a monthly basis.

Sewerage and sanitation - charges are based on the type of service and the number of sewer connections on all developed property using the approved tariffs.

Agency service - income from agency is recognised on a monthly basis once the income collected on behalf of agents is earned. The income is recognised in terms of the agency agreement.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

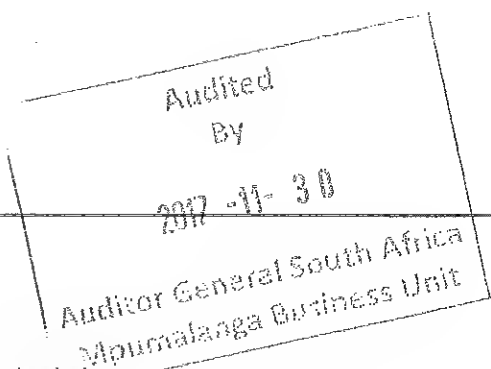
Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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1.16 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Fines are economic benefits or service potential received or receivable by the Municipality from an individual or other Municipality, as determined by a court or other law enforcement body, as a consequence of the individual or other Municipality breaching the requirements of laws and regulations. Control of the traffic fine is demonstrated through the existence of an enforceable claim.

Fines constitute of intended prosecution – section 341 spot fines and written notices (summonses – section 56 of the Criminal Procedure Act).

Initial recognition and measurement

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition of an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the Municipality.

Subsequent Measurement

Subsequently assets arising from the receivables from traffic fines are impaired based on trend analysis of the previous financial years.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.17 Borrowing costs

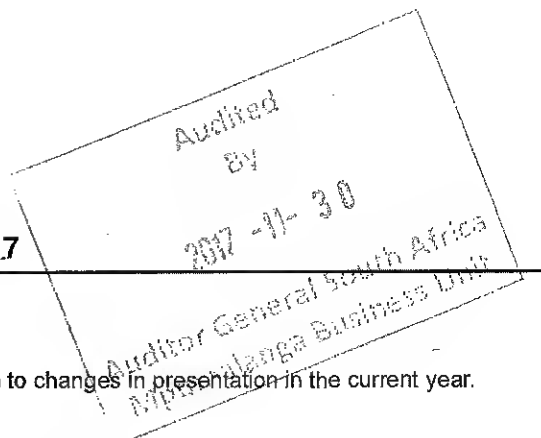
Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

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Accounting Policies for the year ended 30 June 2017



1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

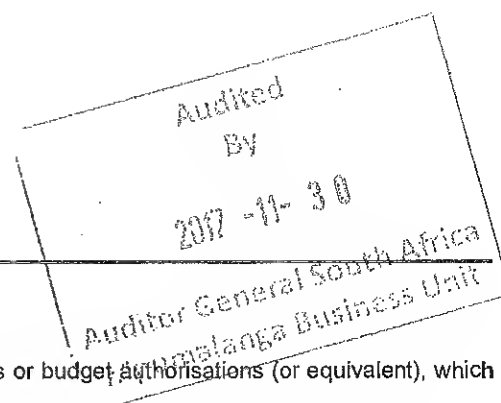
1.22 Distribution losses

Distribution losses are calculated as the difference between water consumed and billed, water freely given to the community and water purchased.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies for the year ended 30 June 2017



1.23 Budget information

Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.26 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Expenses include write downs of inventory and decreases in fair values of financial instruments classified as held at fair value. Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.

Major expense items disclosed in the Statement of Financial Performance include;

- **Repairs and maintenance** – inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities.
- **Bulk purchases** – expenditure on the procurement of bulk water.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Accounting Policies for the year ended 30 June 2017

1.26 Expenditure (continued)

- **Contracted services** – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- **Transfers and grants** which relate to expenditure pertaining to free basic services and general expenses which constitute several expense items which are not individually significant.
- **Write downs** of inventory and decreases in fair values of financial instruments classified as held at fair value.
- **Losses on the disposal** of non-current assets are reported separately from expenses in the Statement of Financial Performance.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure.

The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

1.27 Value Added Tax

The municipality accounts for Value Added Tax on a payment basis in accordance with section 15(2)(a) of the VAT Act (Act No 89 of 1991). The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

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Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
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2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the municipality has adopted all the applicable standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 108: Statutory Receivables	01 April 2016	Immaterial
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	Immaterial
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Immaterial
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact is not material.
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	The impact is not material.

2.2 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

3. INVESTMENT PROPERTY

	2017		2016	
	Cost	Accumulated depreciation and impairment	Carrying value	Cost
				Accumulated depreciation and impairment
	13,685,028	(3,621,066)	10,063,962	13,685,028
				(2,717,038)
				10,967,990

Investment property

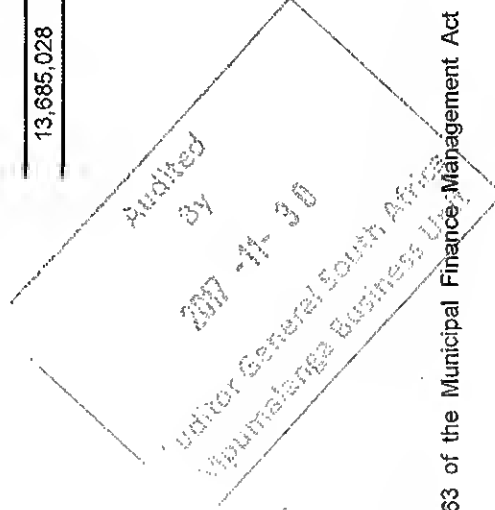
RECONCILIATION OF INVESTMENT PROPERTY - 2017

	Opening balance	Depreciation	Total
Investment property	10,967,990	(904,028)	10,063,962

RECONCILIATION OF INVESTMENT PROPERTY - 2016

	Opening balance	Asset Class Reclassification	Depreciation	Total
Investment property	-	11,874,495	(906,505)	10,967,990

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

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4. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	225,494,483	-	225,494,483	236,159,311	-	236,159,311
Buildings	68,831,727	(19,865,900)	48,965,827	65,373,509	(15,510,523)	49,862,986
Infrastructure	2,216,717,953	(224,621,137)	1,992,096,816	1,758,788,459	(168,035,971)	1,590,752,488
Community	176,179,575	(44,791,542)	131,388,033	150,401,157	(33,458,836)	116,942,321
Other property, plant and equipment	78,566,831	(39,112,616)	39,454,215	61,864,408	(35,619,434)	26,244,974
Work in progress (WIP)	601,479,248	-	601,479,248	499,710,129	-	499,710,129
Other Assets (WIP)	5,918,419	-	5,918,419	4,025,136	-	4,025,136
Total	3,373,188,236	(328,391,195)	3,044,797,041	2,776,322,109	(252,624,764)	2,523,697,345

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

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4. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 30 JUNE 2017

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes	Depreciation	Total
Land	236,159,311	-	(1,068,000)	-	-	(9,596,828)	-	225,494,483
Buildings	49,862,986	1,281,533	(1,536,922)	4,514,876	-	-	(5,156,646)	48,965,827
Infrastructure	1,590,752,488	15,488,503	(400,241)	442,956,304	-	-	(56,700,238)	1,992,096,816
Community	116,942,321	5,141,409	-	20,637,009	-	-	(11,332,706)	131,388,033
Other property, plant and equipment	26,244,974	20,145,766	(292,802)	-	1,329,156	-	(7,972,879)	39,454,215
Work in progress (WIP)	499,710,129	569,877,308	-	(468,108,189)	-	-	-	601,479,248
Other Assets (WIP)	4,025,136	1,893,283	-	-	-	-	-	5,918,419
	2,523,697,345	613,827,802	(3,297,965)	-	1,329,156	(9,596,828)	(81,162,469)	3,044,797,041

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

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4. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 30 JUNE 2016

	Opening balance	Additions	Disposals	Transfers	Cost reclassification	Other changes	Depreciation	Total
Land	236,159,311	-	-	-	-	-	-	236,159,311
Buildings	61,101,813	309,180	(2,678)	-	-	-	(5,179,210)	49,862,986
Infrastructure	1,427,931,076	8,653,280	(597,355)	206,588,830	(6,366,119)	-	(51,823,343)	1,590,752,488
Community	129,639,741	-	-	3,981,037	(5,508,376)	-	(11,170,081)	116,942,321
Other property, plant and equipment	18,024,659	15,063,818	(27,621)	-	-	-	(6,815,882)	26,244,974
Work in progress (WIP)	268,108,505	501,383,847	-	(210,569,867)	-	(59,212,356)	-	499,710,129
Other Assets (WIP)	-	4,025,136	-	-	-	-	-	4,025,136
	2,140,965,105	529,435,261	(627,654)	-	(11,874,495)	(59,212,356)	(74,988,516)	2,523,697,345

PLEGDED AS SECURITY

None of the tangible assets were pledged as security during the current or previous financial year.

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand

4. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF WORK-IN-PROGRESS 2017

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	499,710,129	4,025,136	503,735,265
Additions/capital expenditure	569,877,308	1,893,283	571,770,591
Transferred to completed items	(468,108,189)	-	(468,108,189)
	<u>601,479,248</u>	<u>5,918,419</u>	<u>607,397,667</u>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. INTANGIBLE ASSETS

	2017		2016	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software	4,828,947	(3,937,906)	891,041	(3,040,982)
			4,023,704	982,722

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

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5. INTANGIBLE ASSETS (continued)

RECONCILIATION OF INTANGIBLE ASSETS -30 JUNE 2017

	Opening balance	Additions	Amortisation	Total
Computer software	982,722	805,243	(896,924)	891,041

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matunga Business Unit

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

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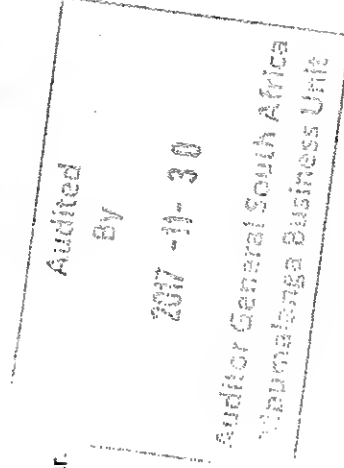
5. INTANGIBLE ASSETS (continued)

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2016

	Opening balance	Additions	Amortisation	Total
Computer software	1,685,906	102,868	(806,052)	982,722

PLEDGED AS SECURITY

None of the intangible assets were pledged as security during the current or previous financial year.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
6. INVENTORIES		
Consumables	2,672,839	4,365,455
Water	415,249	360,567
Water chemicals	27,585	56,954
	<u>3,115,673</u>	<u>4,782,976</u>
INVENTORY PLEDGED AS SECURITY		
None of the inventory was pledged as security during the year or the previous financial year.		
7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Fines	12,366,342	4,355,300
Eskom deposits	1,768,922	1,579,492
Other taxes	26,240	26,240
Property Rates	416,962,406	322,141,654
	<u>431,123,910</u>	<u>328,102,686</u>
RECEIVABLES FROM NON - EXCHANGE TRANSACTIONS		
None of the receivables from non-exchange transactions were pledged as security during the current or previous financial year.		
ESKOM DEPOSITS		
>0 - 360 days	189,430	11,400
> 360 days	1,579,492	1,568,092
	<u>1,768,922</u>	<u>1,579,492</u>
FINES		
Gross balances	19,680,356	8,888,628
Provision for impairment	<u>(7,314,013)</u>	<u>(4,533,328)</u>
	<u>12,366,343</u>	<u>4,355,300</u>
NET BALANCE		
0-30 days	405,698	930,962
31-60 days	211,569	94,398
61-90 days	305,456	1,040,246
91-120 days	895,646	710,460
121-150 days	6,523,489	1,207,663
>151 days	3,629,859	371,571
	<u>11,971,717</u>	<u>4,355,300</u>
PROPERTY RATES		
Gross balance	727,341,341	603,015,127
Provision for impairment	<u>(310,378,935)</u>	<u>(280,873,473)</u>
	<u>416,962,406</u>	<u>322,141,654</u>

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		
0-30 days	4,918,124	4,067,443
31-60 days	2,503,526	4,949,081
61- 90 days	4,434,692	4,784,511
91-120 days	1,666,761	4,871,270
121-150 days	39,775,793	5,345,392
>151 days	363,663,510	298,123,957
	<u>416,962,406</u>	<u>322,141,654</u>

RECONCILIATION OF PROVISION FOR IMPAIRMENT OF RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Opening balance	280,873,472	231,600,859
Provision for impairment	29,505,463	49,272,613
	<u>310,378,935</u>	<u>280,873,472</u>

8. VAT RECEIVABLE

VAT	118,158,372	87,319,506
VAT RECEIVABLE CONSIST OF THE FOLLOWING;		
VAT CONTROL ACCOUNT	37,146,590	6,796,670
VAT OUTPUT	(30,041,559)	(31,245,900)
VAT INPUT	111,053,341	111,768,736
	<u>118,158,372</u>	<u>87,319,506</u>

VAT is accounted for on a payments basis.

9. RECEIVABLES FROM EXCHANGE TRANSACTIONS

GROSS BALANCES

Billboards	204,968	158,660
Water	192,237,055	156,858,068
Sewerage	28,138,671	25,040,473
Refuse	41,524,790	35,678,279
Rental	742,767	108,560
Interest	217,753,593	108,968,811
Housing	2,601,804	2,601,804
Other	27,010,625	18,561,467
	<u>510,214,273</u>	<u>347,976,112</u>

LESS: ALLOWANCE FOR IMPAIRMENT

Billboards	(87,466)	-
Water	(82,033,468)	(81,815,793)
Sewerage	(12,007,637)	(12,070,011)
Refuse	(17,719,906)	(16,875,231)
Rental	(316,962)	(38,102)
Interest	(92,923,875)	(46,508,846)
Housing	(1,110,270)	(1,203,082)
Other	(2,644,539)	(13,484,158)
	<u>(208,844,123)</u>	<u>(171,995,223)</u>

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
9. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
NET BALANCE		
Billboards	117,502	158,660
Water	110,203,587	75,042,265
Sewerage	16,131,034	12,970,462
Refuse	23,804,884	18,803,048
Rental	425,805	70,458
Interest	124,829,718	62,459,965
Housing debtors	1,491,534	1,398,722
Other	24,366,086	5,077,309
	301,370,150	175,980,889
BILLBOARDS		
> 365 days	117,502	158,660
WATER		
Current (0 -30 days)	4,896,501	3,079,812
31 - 60 days	2,157,689	1,441,621
61 - 90 days	3,349,475	1,393,683
91 - 120 days	2,877,876	1,418,955
121 - 365 days	1,066,147	1,557,062
> 365 days	95,855,899	66,151,132
	110,203,587	75,042,265
SEWERAGE		
Current (0 -30 days)	40,765	174,791
31 - 60 days	(3,255)	212,677
61 - 90 days	588,837	205,605
91 - 120 days	586,149	209,334
121 - 365 days	1,178,385	229,708
> 365 days	13,740,153	11,938,347
	16,131,034	12,970,462
REFUSE		
Current (0 -30 days)	173,143	244,377
31 - 60 days	333,830	297,347
61 - 90 days	324,297	287,459
91 - 120 days	586,148	292,672
121 - 365 days	618,487	321,158
> 365 days	21,768,979	17,360,035
	23,804,884	18,803,048
RENTAL DEBTORS		
Current (0 -30 days)	16,720	552
31 - 60 days	9,548	671
61 - 90 days	16,174	649
91 - 120 days	143,708	661
121 - 365 days	95,631	725
> 365 days	144,024	67,200
	425,805	70,458

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
9. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
INTEREST		
Current (0 -30 days)	9,652,892	673,514
31 - 60 days	15,078,738	819,501
61 - 90 days	9,338,457	792,250
91 - 120 days	13,345,855	806,616
121 - 365 days	13,306,494	885,125
> 365 days	64,111,300	58,482,959
	124,833,736	62,459,965
HOUSING DEBTORS		
> 365 days	1,491,534	1,398,722
OTHER		
Current (0 -30 days)	10,699	2,989,090
31 - 60 days	6,285	237,595
61 - 90 days	71,463	229,695
91 - 120 days	95,464	233,860
121 - 365 days	169,470	256,621
> 365 days	6,004,035	1,130,448
	6,357,416	5,077,309

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
9. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
SUMMARY OF DEBTORS BY CUSTOMER CLASSIFICATION		
HOUSEHOLDS AND OTHER		
Current (0 -30 days)	5,536,997	(16,666,449)
31 - 60 days	6,936,691	5,843,497
61 - 90 days	7,152,329	5,611,883
91 - 120 days	6,874,250	5,924,538
121 - 365 days	6,925,073	6,257,688
> 365 days	316,464,744	273,955,936
	<u>349,890,084</u>	<u>280,927,093</u>
COMMERCIAL		
Current (0 -30 days)	4,062,727	3,606,831
31 - 60 days	4,373,456	3,231,739
61 - 90 days	4,060,022	3,063,873
91 - 120 days	3,951,882	3,017,830
121 - 365 days	3,886,959	3,480,805
> 365 days	151,509,594	102,403,758
	<u>171,844,640</u>	<u>118,804,836</u>
GOVERNMENT		
Current (0 -30 days)	4,481,719	8,038,228
31 - 60 days	6,312,163	5,505,180
6605587.97	6,992,488	5,426,319
58565595.17	6,605,588	5,318,800
121 - 365 days	6,534,480	5,999,040
> 365 days	664,085,051	511,506,350
	<u>695,011,489</u>	<u>539,793,917</u>
TOTAL		
Current (0 -30 days)	14,081,444	(7,021,390)
31 - 60 days	17,622,310	14,580,417
61 - 90 days	18,204,839	14,102,075
91 - 120 days	17,431,720	14,261,169
121 - 365 days	17,346,512	15,737,533
> 365 days	1,132,059,390	887,866,044
	<u>1,216,746,215</u>	<u>939,525,848</u>

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RECEIVABLES PLEDGED AS SECURITY

No receivables were pledged as security for any facilities.

RECEIVABLES PAST DUE BUT NOT IMPAIRED

Government debtors past due were not impaired due to their nature and that they generally meet their obligations.

RECONCILIATION OF PROVISION FOR IMPAIRMENT OF RECEIVABLES FROM EXCHANGE TRANSACTIONS

Opening balance	171,995,223	109,578,154
Allowance for impairment	36,848,899	62,417,069
	<u>208,844,122</u>	<u>171,995,223</u>

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
10. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	110,633	96,089
Current account balances	8,407,323	68,886,465
Call account balances	89,821,461	66,600,163
	98,339,417	135,582,717

THE MUNICIPALITY HAD THE FOLLOWING BANK ACCOUNTS

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
FNB BANK - 7000/7010	(21,893)	611,026	7,211,165	(21,893)	611,026	7,131,313
FNB BANK - 7000/7020	2,765,818	2,873,878	5,065,478	2,765,818	2,873,878	5,065,478
FNB BANK - 7000/7030	82,885,609	62,473,930	193,517,911	82,885,609	62,473,930	193,517,911
Standard Bank - 7000/7040	8,429,216	68,275,439	7,426,960	8,429,216	68,275,439	7,426,960
FNB BANK - 7000/7070	4,170,035	1,252,355	297,706	4,170,035	1,252,355	297,706
Total	98,228,785	135,486,628	213,519,220	98,228,785	135,486,628	213,439,368

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	286,357,870	257,095,623
Retention creditors	83,713,612	72,339,705
Surety	7,896,703	2,832,003
Other payables	17,312,908	5,543,647
Accrued bonus	10,124,900	8,898,378
Sundry creditors	133,686,103	106,185,316
Project accruals	-	27,857,659
	539,092,096	480,552,331

RAND WATER HISTORICAL DEBT

Following the dispute regarding outstanding amounts between the municipality and Rand Water, the parties have agreed to the waiver of 40% of the outstanding debt amounting to R137 144 440, on the basis that going forward, no further disputes will be entered. The municipality paid in full the settlement amount of R205 716 659.40 by 30 June 2017.

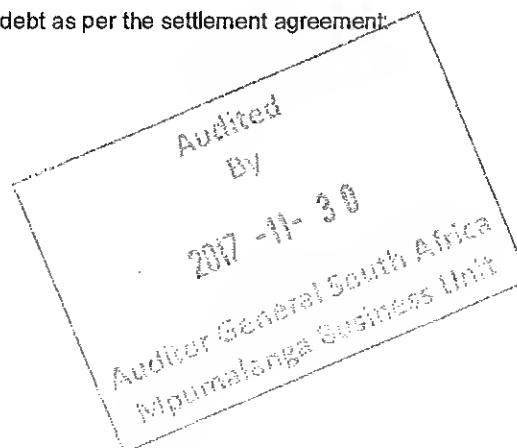
The municipality settled Rand Water old debt as per the settlement agreement:

DATE/QUARTER
30 September 2016
31 December 2016
31 March 2017

-	35,000,000
-	35,000,000
-	10,787,121
-	80,787,121

12. CONSUMER DEPOSITS

Water	2,440,536	2,423,025
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BUSHBUCKRIDGE LOCAL MUNICIPALITY

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13. PROVISIONS

RECONCILIATION OF PROVISIONS - 30 JUNE 2017

	Opening Balance	Additions	Utilised during the year	Actuarial Gain	Total
Environmental rehabilitation provision	17,848,176	5,565,585	-	-	23,413,761
Leave provision	26,322,480	-	(1,019,641)	-	25,302,839
Long service awards	24,299,000	4,573,000	(1,289,654)	(2,521,346)	25,061,000
Provision for bulk purchases	29,068,537	-	-	-	29,068,537
	97,538,193	10,138,585	(2,309,295)	(2,521,346)	102,846,137

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

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13. PROVISIONS (continued)

RECONCILIATION OF PROVISIONS - 30 JUNE 2016

	Opening Balance	Additions	Utilised during the year	Actuarial Gain	Change in discount factor	Total
Environmental rehabilitation provision	16,736,500	602,304	-	-	509,372	17,848,176
Leave provision	27,300,512	(978,032)	-	-	-	26,322,480
Long service awards	20,834,000	3,767,000	(2,767,994)	2,465,994	-	24,299,000
Provision for bulk purchases	29,068,537	-	-	-	-	29,068,537
	93,939,549	3,391,272	(2,767,994)	2,465,994	509,372	97,538,193

Non-current liabilities

Current liabilities

45,114,761

57,731,376

102,846,137

39,120,176

58,418,017

97,538,193

ENVIRONMENTAL REHABILITATION PROVISION

The municipality has an obligation to rehabilitate the landfill sites in the Bushbuckridge municipal area.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation. It is carried at the amortised cost.

The rehabilitation costs were determined by OnePangea, who are qualified and experienced engineers.

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
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13. PROVISIONS (continued)

LONG SERVICE AWARDS

Long service awards consist of an obligation to pay out a bonus in the year of the employee attaining the required length of service. The obligation presents a liability to the employer and the value is represented by the present value of the total long service bonus awards expected to become payable under the municipality's current policy.

The municipality offers long service bonuses for every five(5) years of continuous service completed, starting from ten(10) years to forty-five(45) years. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially settled in cash.

The key assumption used in the valuation;

- Discount rate 8.84% (2016:8.80%)
- CPI 5.64% (2016:6.51%)
- Salary increase rate 7.51% (2016:7.51%)
- Net Discount rate 1.20% (2016:1.20%)
- Mortality SA85-90 (2016:SA85-90)

The actuarial valuation of the long service awards accrued liability was carried out by D.T. Mureriwa, a fellow of the Institute of Actuaries.

14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

UNSPENT CONDITIONAL GRANTS AND RECEIPTS COMPRISES OF:

UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Regional Bulk Infrastructure Grant	3,765,317	-
Integrated National Electrification Programme	3,815,012	1,175,895
Local Government Sector Education Training Authority	-	280,425
Municipal Water Infrastructure Grant	-	80,000,000
	7,580,329	61,456,320

15. REVENUE

Agency services	10,353,927	9,574,719
Fines and penalties	11,761,564	6,224,938
Interest earned	121,533,340	114,063,173
Licences and permits	153,310	348,086
Other income	23,296,333	2,881,659
Property rates	160,280,800	168,493,460
Realisation of grants	1,321,757,494	1,081,238,703
Rental of facilities and equipment	1,108,530	822,908
Service charges	39,388,438	31,208,683
	1,689,633,736	1,414,656,329

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THE AMOUNT INCLUDED IN REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:

TAXATION REVENUE		
Property rates	160,280,800	168,493,460
TRANSFER REVENUE		
Government grants and subsidies	1,321,757,494	1,081,238,703
Fines and penalties	11,781,564	6,224,938
	1,493,799,858	1,255,957,101

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
16. SERVICE CHARGES		
Water reconnection fees	60,303	93,837
Sewerage and sanitation charges	2,902,972	3,065,924
Sale of water	33,511,209	22,575,254
Rebate -service charges	(2,266,531)	(518,925)
Refuse removal	5,180,485	5,992,593
	39,388,438	31,208,683
17. RENTAL OF FACILITIES AND EQUIPMENT		
PREMISES		
Premises	825,380	670,243
FACILITIES AND EQUIPMENT		
Rental of facilities	154,226	78,670
Rental of equipment	128,924	73,995
	283,150	152,665
	1,108,530	822,908
18. AGENCY INCOME		
Agency services	10,353,927	9,574,719
The municipality receives the 20% agents income on all funds collected on behalf of the Department of Safety Security and liason.		
19. LICENCES AND PERMITS		
Licences and permits	153,310	348,086
This represents funds received in relation to business, trading and traffic income licensing.		
20. OTHER INCOME		
Administration fee	14,042	1,961
Amendment of names	3,403	2,287
Bond fee	24,664	41,311
Cemetery	8,283,773	-
Cemetery	63,824	54,544
Clearance certificates	350	4,151
Database registration	-	7,000
Library fees	13,471	10,335
Photocopies	142,864	88,917
Plan approval	286,877	36,909
Proof of residence	1,838,781	988,257
Sale of tender documents	1,386,788	615,702
Site fees	3,063	881
Site inspection	47,780	75,357
Sundry income	11,186,653	754,047
	23,296,333	2,681,659

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21. INTEREST		
INTEREST REVENUE		
Interest on investments	13,355,531	13,803,987
Interest on outstanding debtors	108,177,809	100,259,186
	<u>121,533,340</u>	<u>114,063,173</u>

The amount of R13 355 531 represents interest earned from positive bank balances maintained during the year.

The amount of R108 181 827 represents interest levied to outstanding debtors.

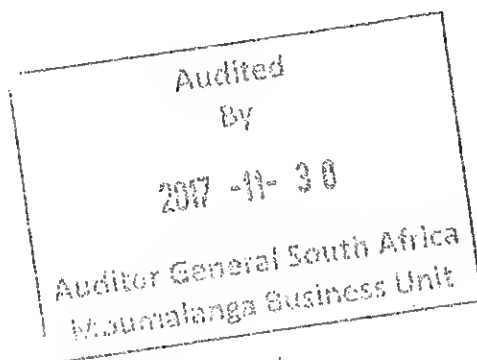
22. PROPERTY RATES

RATES RECEIVED

Property rates	166,430,924	173,894,266
Less: Income forgone	(6,150,124)	(5,400,806)
	<u>160,280,800</u>	<u>168,493,460</u>

VALUATIONS

Agriculture	94,845,000	94,845,000
Commercial	629,524,200	636,350,200
Public Benefit Organisations	25,668,000	24,910,000
Public Service Infrastructure	53,500	53,500
Residential	1,918,184,800	1,912,184,800
State	3,257,749,050	3,256,387,550
Vacant land	155,644,600	154,323,600
Municipality	247,263,000	242,467,500
Protected Area	23,335,673,000	23,335,673,000
Protected Area Business	550,665,000	550,665,000
Protected Area Residential	192,890,000	192,890,000
	<u>30,408,160,150</u>	<u>30,400,750,150</u>



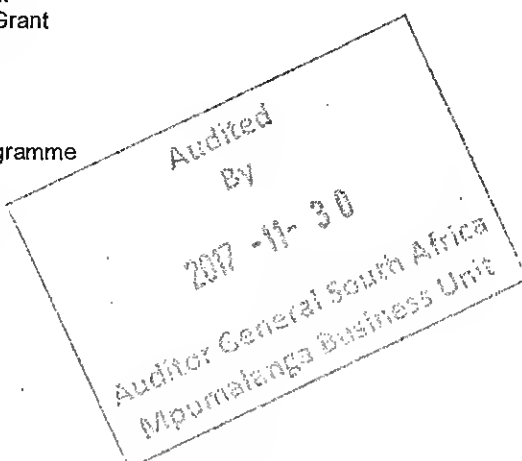
Valuations on land and buildings are performed every 4 (four) years. The last general valuation done by Valuers Africa came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations. Various rates are used for the different categories which are applied to property valuations to determine assessment rates.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
23. REALISATION OF GRANTS		
Operating grants		
Equitable Share	647,298,000	835,931,000
Financial Management Grant	1,810,000	1,675,000
Department of Water Affairs	-	16,941,070
Local Government Sector Education Training Authority	2,500,928	567,496
Municipal Systems Improvement Grant	-	930,000
Expanded Public Works Programme Grant	3,780,000	2,551,000
	655,388,928	658,595,566
Capital grants		
Integrated National Electrification Programme	2,360,883	7,731,686
Municipal Infrastructure Grant	393,773,000	398,393,123
Municipal Water Infrastructure Grant	40,000,000	-
Regional Bulk Infrastructure Grant	36,234,683	-
Human Settlement Grant	44,000,000	12,100,600
Municipal Disaster Grant	-	4,417,728
Water Services Infrastructure Grant	150,000,000	-
	666,368,566	422,643,137
	1,321,757,494	1,081,238,703



EQUITABLE SHARE

This grant is used to enable the municipality to provide basic services and perform functions allocated to it.

In terms of Section 227 of the Constitution, the Equitable Share Grant provides funding for the municipality to deliver free basic services to poor households and subsidises the cost of administration and other core services for the municipality.

MUNICIPAL INFRASTRUCTURE GRANT (MIG)

Balance unspent at beginning of year	-	32,235,123
Current-year receipts	393,773,000	366,158,000
Conditions met - transferred to revenue	(393,773,000)	(398,393,123)
	-	-

The grant is mainly used to fund infrastructure related projects (mainly as part of services delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

FINANCIAL MANAGEMENT GRANT (FMG)

Current-year receipts	1,810,000	1,675,000
Conditions met - transferred to revenue	(1,810,000)	(1,675,000)
	-	-

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

MUNICIPAL SYSTEMS IMPROVEMENT GRANT (MSIG)

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	-

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

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23. REALISATION OF GRANTS (continued)

The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

DEPARTMENT OF WATER AFFAIRS

Current-year receipts	-	16,941,070
Conditions met - transferred to revenue	-	(16,941,070)
	-	-

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

EXPANDED PUBLIC WORKS PROGRAMME INCENTIVE GRANT (EPWP)

Current-year receipts	3,780,000	2,551,000
Conditions met - transferred to revenue	(3,780,000)	(2,551,000)
	-	-

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

REGIONAL BULK INFRASTRUCTURE GRANT (RBIG)

Current-year receipts	40,000,000	-
Conditions met - transferred to revenue	(36,234,683)	-
	3,765,317	-

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to construct bulk water line that will enable the municipality to reticulate water in its various areas.

INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP)

Balance unspent at beginning of year	1,175,895	1,707,581
Current-year receipts	5,000,000	7,200,000
Conditions met - transferred to revenue	(2,360,883)	(7,731,686)
	3,815,012	1,175,895

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

MUNICIPAL DISASTER GRANT

Balance unspent at beginning of year	-	1,782,728
Current-year receipts	-	2,635,000
Conditions met - transferred to revenue	-	(4,417,728)
	-	-

The purpose of the grant is to provide for the immediate release of funds for disaster response.

LOCAL GOVERNMENT SECTOR EDUCATION TRAINING AUTHORITY (LGSETA)

Balance unspent at beginning of year	280,425	-
Current-year receipts	2,220,503	847,921

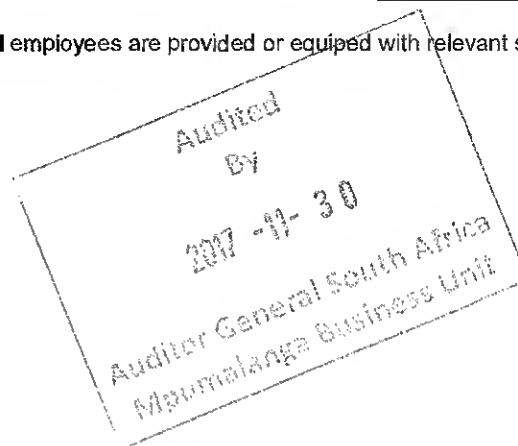
BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
23. REALISATION OF GRANTS (continued)		
Conditions met - transferred to revenue	(2,500,928)	(567,496)
	-	280,425

The purpose of this grant is to ensure that the municipal employees are provided or equipped with relevant skills.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
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23. REALISATION OF GRANTS (continued)

HUMAN SETTLEMENTS GRANT

Current-year receipts	44,000,000	12,100,600
Conditions met - transferred to revenue	(44,000,000)	(12,100,600)
	-	-

The purpose of the grant is to assist in the reticulation of water for the community through increased water storage capacity.

WATER SERVICES INFRASTRUCTURE GRANT

Current-year receipts	150,000,000	-
Conditions met - transferred to revenue	(150,000,000)	-
	-	-

The purpose of the grant is to reticulate water in various areas of the municipality .

MUNICIPAL WATER INFRASTRUCTURE GRANT

Balance unspent at beginning of year	60,000,000	-
Current-year receipts	-	60,000,000
Conditions met - transferred to revenue	(40,000,000)	-
Rollover not approved	(20,000,000)	-
	-	60,000,000

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

CHANGES IN LEVEL OF GOVERNMENT GRANTS

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

24. FINES AND PENALTIES

Current year	11,368,939	6,224,388
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The figure relates to traffic fines for the current year

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Figures in Rand	2017	2016
25. EMPLOYEE RELATED COSTS		
Acting allowances	1,444,541	1,664,886
Basic salary	240,919,867	214,716,271
Bonus	24,324,342	22,951,223
Car allowance	12,531,084	9,530,121
Housing benefits and allowances	490,895	2,157,789
Leave pay provision charge	(267,428)	(267,506)
Long-service awards	2,503,000	7,978,685
Medical aid	13,809,540	11,637,333
Overtime payments	3,318,208	3,269,457
Pension	47,559,228	41,381,795
SDL Contributions	2,819,395	2,560,847
Shift/Standby and other allowances	6,215,971	2,448,327
South African Local Government Association levies	98,293	288,339
Travel and related allowances	4,787,390	4,573,858
UIF contributions	1,794,724	1,350,971
	362,349,050	326,242,396

REMUNERATION OF MUNICIPAL MANAGER

Annual Remuneration	915,502	793,633
Car Allowance	596,979	517,783
Performance Bonuses	35,024	15,702
Contributions to UIF, Medical and Pension Funds	45,836	14,153
Rural Allowance	114,825	6,595
SDL, SALGBC and Reimbursement (km)	21,966	20,643
	1,730,132	1,368,509

The Municipal Manager Mr C Liso was appointed in January 2015.

REMUNERATION OF CHIEF FINANCIAL OFFICER

Annual Remuneration	1,140,028	1,167,052
Car Allowance	372,816	233,532
Performance Bonuses	37,882	34,548
Contributions to UIF, Medical and Pension Funds	48,237	60,061
SDL, SALGBC and Reimbursement (km)	15,311	3,722
	1,613,874	1,498,915

Mrs CA Nkuna was the Chief Financial Officer during the year under review.

REMUNERATION OF TECHNICAL SERVICES DIRECTOR

Annual Remuneration	726,828	651,554
Car Allowance	461,472	425,564
Performance Bonuses	37,201	-
Contributions to UIF, Medical and Pension Funds	1,785	11,792
SDL, SALGBC and Reimbursement (km)	11,421	-
	1,238,707	1,088,910

Mr E Mashava was the Technical Director during the year under review.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

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25. EMPLOYEE RELATED COSTS (continued)		
REMUNERATION OF CORPORATE SERVICE DIRECTOR		
Annual Remuneration	726,828	652,912
Car Allowance	446,875	408,896
Performance Bonuses	11,346	25,855
Contributions to UIF, Medical and Pension Funds	19,716	27,074
SDL, SALGBC and Reimbursement (km)	13,540	779
	1,218,305	1,115,516

Mr R Khoza was the Director Corporate and Human Resources during the year under review.

REMUNERATION OF LOCAL ECONOMIC DEVELOPMENT, PLANNING AND ENVIRONMENT DIRECTOR

Annual Remuneration	870,240	603,819
Car Allowance	415,527	391,214
Performance Bonuses	28,366	10,342
Contributions to UIF, Medical and Pension Funds	48,237	55,941
Bonus	55,510	47,733
SDL, SALGBC and Reimbursement (km)	11,419	2,065
	1,229,299	1,111,114

Mrs S Mogakene was the Director for Local Economic Development, Planning and Environment for the year under review.

REMUNERATION OF COMMUNITY SERVICES DIRECTOR

Annual Remuneration	726,828	651,552
Car Allowance	461,472	425,564
Performance Bonuses	28,366	-
Contributions to UIF, Medical and Pension Funds	1,785	14,248
SDL, SALGBC and Reimbursement (km)	12,569	2,587
	1,231,020	1,093,951

Dr LZ Mkhabela was the Director for Community Services Directorate for the year under review.

26. REMUNERATION OF COUNCILLORS

Mayor	829,677	788,561
Mayoral committee members	5,033,855	4,418,899
Speaker	682,812	637,459
Councillors	21,529,409	19,543,312
	28,075,753	25,388,231

IN-KIND BENEFITS

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is provided with a Council owned vehicle for official duties.

The Executive Mayor has two full time bodyguards

The remuneration of councillors and political office-bearers are within the upper limits.

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Figures in Rand	2017	2016
27. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	83,131,938	76,701,074
28. FINANCE COSTS		
Interest	22,850,016	14,453,796
The interest disclosed is mainly current interest cost for the year.		
29. DEBT IMPAIRMENT		
Debt impairment traffic	3,192,786	-
Impairment of consumer receivables	66,354,362	114,749,428
	69,547,148	114,749,428
30. REPAIRS AND MAINTENANCE		
Repairs and maintenance	25,340,106	36,295,408
Repairs and Maintenance per Asset Class		
Community Assets	1,978,151	1,613,357
Infrastructure Assets	15,970,737	25,415,791
Buildings	970,297	8,208,343
Other Assets	6,420,921	3,057,917
	25,340,106	36,295,408
31. BULK PURCHASES		
Water	212,877,636	206,124,842
32. CONTRACTED SERVICES		
Information technology services	1,891,243	3,195,431
Insurance	9,459,454	6,863,581
Service level agreements	12,580,173	7,511,978
Specialist services	4,562,852	3,348,040
Security services	28,235,917	24,786,864
	56,729,639	45,705,894
33. GRANTS FUNDED EXPENDITURE		
Free basic services	16,600,813	37,066,989

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Figures in Rand	2017	2016
34. GENERAL EXPENSES		
Advertising	665,411	417,102
Audit committee allowance	131,500	178,741
Auditor's remuneration	5,725,788	4,596,108
Bank charges	508,377	373,937
Cash in transit security	352,743	595,855
Donation	98,201	129,305
Communication services	984,294	671,992
Community development and training	2,631,380	2,331,801
Community service expenditure	13,445,329	5,790,129
Conferences and seminars	2,153,261	3,543,287
Electricity	9,683,103	8,728,918
Formation of Bushbuckridge Agency	2,162,942	-
Fuel	4,097,906	3,430,223
Land use management	12,850	989,575
Legal fees	2,778,620	3,742,296
Library services and daily newspapers	126,010	-
Local economic development expenses	4,816,477	3,591,434
Occupational health	-	311,084
Other expenses	8,126,304	4,898,610
Postage and courier	16,727	32,510
Printing and stationery	2,678,745	2,283,873
Protective clothing	818,423	1,388,285
Refreshments	598,866	444,450
Software expenses	985,479	682,897
Subscriptions and membership fees	108,999	3,493,322
Telephone and fax	100,668	6,932,153
Traffic expenses	1,377,982	3,826,617
Training	2,608,520	3,509,311
Travel - local	166,478	145,553
Water services expenses	6,832,711	6,990,465
	74,794,094	74,029,833
35. AUDITORS' REMUNERATION		
External Auditors fees	5,725,788	4,596,108
36. CASH GENERATED FROM OPERATIONS		
Surplus	730,231,770	456,504,537
ADJUSTMENTS FOR:		
Depreciation and amortisation	83,131,938	76,701,074
Gain (loss) on sale of assets and liabilities	9,627,119	(1,072,093)
Debt impairment	69,547,148	114,749,428
Movements in provisions	5,307,944	3,598,644
Asset additions reclassification	-	11,874,495
Actuarial gains (loss)	2,521,346	(2,465,994)
CHANGES IN WORKING CAPITAL:		
Inventories	1,667,303	(2,353,307)
Receivables from exchange transactions	(164,418,383)	(86,735,601)
Receivables from non-exchange transactions	(135,307,372)	(74,934,934)
Payables from exchange transactions	58,539,761	(21,790,426)
VAT	(30,838,866)	(9,106,550)
Unspent conditional grants and receipts	(53,875,991)	(3,310,782)
Consumer deposits	17,511	1,765
	576,151,228	461,660,256

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
37. COMMITMENTS		
AUTHORISED CAPITAL EXPENDITURE		
APPROVED AND CONTRACTED		
• Property, plant and equipment	220,199,432	448,508,023
• Intangible assets	-	2,713,705
	<u>220,199,432</u>	<u>451,221,728</u>
TOTAL CAPITAL COMMITMENTS		
Approved and contracted for	<u>220,199,432</u>	<u>451,221,728</u>
AUTHORISED OPERATIONAL EXPENDITURE		
This committed expenditure relates to plant and equipment and will be financed by inter alia grant funds, existing cash resources and funds internally generated. The commitments disclosed is inclusive of VAT.		
OPERATING LEASES - AS LESSEE (EXPENSE)		
MINIMUM LEASE PAYMENTS DUE		
- within one year	4,808,222	4,796,494
- in second to fifth year inclusive	3,197,661	7,994,156
	<u>8,005,883</u>	<u>12,790,650</u>

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

Nashua Lowveld supplied forty photocopying machines to the municipality for a period of 36 months at 0% escalation at an amount of R399 707.81 per month. Glanny Property Group supplied the municipality with office space (building) for licencing activities at Nkwenyana Day Care Centre for Hluvukani DLTC and rentals are fixed for an amount of R 1954.76 per month.

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38. CONTINGENCIES

Contingencies arising from pending litigation on contractual disputes and damage claims:

Litigation is in process against the municipality relating to several contractual disputes and claims for damages. As the conclusion of the processes is dependent on the setting of dates by the respective courts, the timing of the economic outflow is therefore uncertain. Amounts disclosed do not include legal fees. Details of the claims are listed below:

CONTINGENT LIABILITIES

1. Gloria Basie - the case is in relation to demolition of illegal structures	310,000	310,000
2. Bannie Job Ngubeni - a claim for damages suffered as a result of demolition	300,000	300,000
3. Niloti/Ex Services Construction - A claim against the municipality for serving the thulamahashe sites	1,138,700	1,138,700
4. MGN Security - the case is allegedly providing security services around 2007 for which the claims were never submitted to the municipality until 2009	149,454	149,454
5. Turquoise Moon Trading - claim for damages as a result of termination of contract	90,922	90,922
6. Molemo Consulting Engineers - claim for variation order of rate increases for imported pipes	-	2,102,582
7. Makaule Zilwa Inc / MNB Chartered Accountants JV - an alleged claim for services rendered	4,517,135	4,517,135
8. Dumanta Trading CC - claim for payment of construction of rising mainline with a 75mm class 9 upvc pipeline . Appointment made by former Bohlabela District	-	360,547
9. Caroline Velaphi Malope - defending the claim against damages . Notice in terms Rule 30 (1) served and await response from plaintiff attorneys	-	3,305,000
10. Malo Construction - a claim for alleged non-payment of built water water supply project	10,180,646	10,180,646
11. Ngwenya Swenkie - a claim for damages as a result of spillage Municipal reservoir	90,000	100,000
12. Ayeno Gabri - a claim as a reust of assault and arrest by traffic officers	600,000	800,000
13. Tsebu Brothers Holdings - a claim as a result cancellation of agreement for Electrification at Mavulana phase 2	4,050,157	4,050,157
15. Mulikwa Fanie Mayinga - a claim for damages as a result of Thulmahashe Dumping site	400,000	2,475,000
16. Coshiwe Melina on behalf of minors and others - claim for damages	600,000	600,000
17. Hwali Business Enterprises - A claim for services rendered	4,364,330	4,364,330
18. Robert Themba - Damages	200,000	-
19. Defending municipality against claim of R118 950 000	17,964,227	-
	44,955,571	34,644,473

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Figures in Rand	2017	2016
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39. RELATED PARTIES

Key Management Personell and Councillors in nature are related parties and a disclosure in this regard was provided. Related party transactions consist mainly of the supply of goods or services to the municipality. The businesses are owned by close family members of staff, as detailed below:

MATLALA NYAPELE: Relation: Ms Moripe, an SCM Practitioner with the municipality, is sister to Mr Moripe of Matlala Nyapele.
 RICHBLESS: Relation: Mr. Mkhabela, the Salaries Accountant with the municipality, is cousin to Mr. Khoza of Richbless Trading.

RELATED PARTY BALANCES

AMOUNTS INCLUDED IN TRADE PAYABLE REGARDING RELATED PARTIES

Matlala-Nyapele/Xepunu Cnstruction JV	-	354,361
Richbless Trading PTY LTD	13,920	-
Matlalanyapele Investment and Properties	1,562,598	-
	<u>1,576,518</u>	<u>354,361</u>

40. RISK MANAGEMENT

LIQUIDITY RISK

The municipality's risk to liquidity as a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

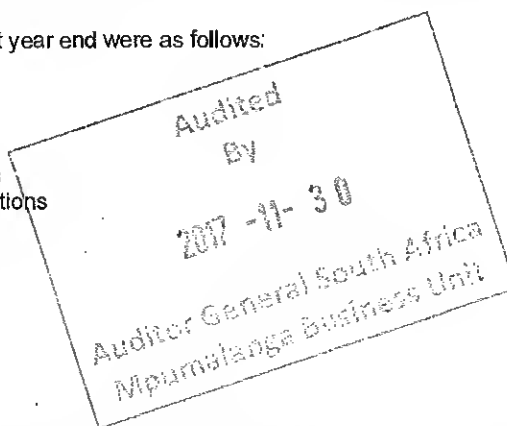
Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
FNB Bank	89,950,107	67,211,189
Standard Bank	8,429,216	68,275,439
Receivables from exchange transactions	301,370,150	175,980,886
Receivables from non-exchange transactions	431,123,910	328,102,686
Payables	(539,092,096)	(480,552,335)

41. UNAUTHORISED EXPENDITURE

Opening balance	411,862,979	346,752,979
Current year	55,320,810	65,110,000
	<u>467,183,789</u>	<u>411,862,979</u>

The Internal Audit unit investigated the unauthorised expenditure for the 2015/16 financial year. The curent year unauthorised expenditure is under investigation by Internal audit unit.



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Annual Financial Statements for the year ended 30 June 2017

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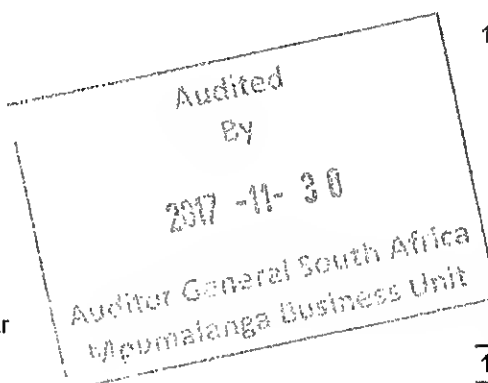
42. FRUITLESS AND WASTEFUL EXPENDITURE

Opening Balance	390,372	55,666
Auditor General	13,283	12,682
Eskom	271,342	260,875
SARS penalty and interest	-	61,149
Interest on bank overdraft	39,414	-
Nashua	12,094	-
Telkom	16,486	-
Rand water	26,864,886	-
	<u>27,607,877</u>	<u>390,372</u>

Fruitless and wasteful expenditure for the current year is largely composed of Rand water, Auditor General, Eskom and Interest on bank overdraft. Invoices were delayed in reaching the municipality due to Post Offices strike and there was an overdraft in the current year.

43. IRREGULAR EXPENDITURE

Opening balance	1,346,765,669	889,838,281
Add: Irregular Expenditure - current year	-	28,147,379
Water reticulation - Rand Water	-	105,984,142
Electrification of household	526,958	1,808,044
Water supply infrastructure	-	285,603,862
Paving and upgrading of internal streets	3,132,734	28,298,310
Others	939,368	6,304,080
Security	36,107,577	-
Accounting services	5,600,529	-
Variation order	3,043,040	-
Overpayment of Councillors Upper limit	2,065,552	2,781,571
Irregular Expenditure Identified during the year	438,588,852	-
	<u>1,836,770,279</u>	<u>1,346,765,669</u>



IRREGULAR EXPENDITURE INVESTIGATIONS

Irregular expenditure is currently being investigated in line with the regulation and a service provider has been appointed by council for this task.

Management is currently reviewing all the contracts and quotations awarded in 2016/17 financial year to ensure completeness of irregular expenditure disclosed.

Irregular expenditure for the 2012/13 and prior was investigated by the Special Investigations Unit (SIU). The 2013/14 and 2014/15 irregular expenditure was investigated by Sedupi & Metja Consulting (Pty) Ltd. Both investigations have been completed. The 2015/16 irregular expenditure was investigated by MNB Consulting. Consequence management processes are in progress to implement the outcomes of the investigations.

44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

SALGA

Opening balance	688,847	241,037
Current year subscription / fee	3,335,580	3,471,760
Amount paid - current year	(3,335,580)	(3,023,950)
	<u>688,847</u>	<u>688,847</u>

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44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

DISTRIBUTION LOSS

Billed (Note 15)	33,511,209	22,575,254
Add: Free basic water	75,119,385	76,420,991
Bulk purchases (Note 31)	(212,877,636)	(206,124,842)
	<u>(104,247,042)</u>	<u>(107,128,597)</u>

AUDIT FEES

Current year subscription / fee	<u>5,725,708</u>	<u>4,581,059</u>
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PAYE, SDL AND UIF

Opening balance	-	(286,988)
Current year subscription / fee	54,220,360	49,055,033
Amount paid - current year	<u>(54,216,433)</u>	<u>(48,768,045)</u>
	<u>3,927</u>	<u>-</u>

PENSION AND MEDICAL AID DEDUCTIONS

Opening balance	-	(1,184,765)
Current year subscription / fee	92,752,354	79,782,486
Amount paid - current year	<u>(87,670,906)</u>	<u>(78,597,721)</u>
	<u>5,081,448</u>	<u>-</u>

VAT

VAT receivable	<u>118,158,372</u>	<u>87,319,506</u>
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VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

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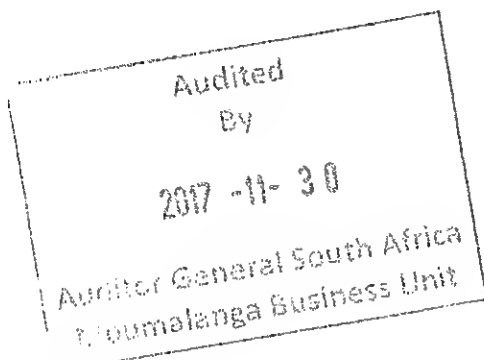
44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

COUNCILLORS' ARREAR CONSUMER ACCOUNTS

The following Councillors had arrear accounts outstanding as at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Nxumalo TA	12,738	2,547	15,285
Timba FS	30,614	26,724	57,338
	43,352	29,271	72,623

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Khumalo RE	700	187	887
Malibe D	20,321	1,501	21,822
Malope A	3,387	267	3,654
Mashego D	3,915	294	4,209
Siwele F	7,284	641	7,925
	35,607	2,890	38,497



SUPPLY CHAIN DEVIATIONS

INCIDENT

Emergencies	2,826,329	13,104,986
Specialised Services	91,294	527,315
Health Risk	-	1,390,476
Promotion of Inter-governmental relations	-	15,276,981
	2,917,623	30,299,738

45. PRIOR PERIOD ERRORS

2015-16 Adjustments;

1. Property, plant and equipment corrections are due to error in accrual of the cost of the assets completed where a completion certificate was not yet issued.
2. VAT was restated due to the adjustments in payables.
3. Receivable from exchange and non exchange transactions emanated from corrections of incorrect billing done to certain customers.
4. Payables from exchange transaction adjustment were due to corrections of project accruals, invoicing of suppliers, interest charged by Rand Water in retrospect as well as retention and surety corrections.
5. Finance cost -this is as a result of the interest charged by Rand Water in retrospect.
6. Depreciation corrections emanated from the corrections of capitalised accrued work in progress in prior year.
7. Contracted services and General expenses- the retrospective adjustment of these were as a result of supplier invoice capturing in the correct period.
8. Irregular expenditure- The councilors were paid an amount of R2 781 571.00 above the upper limits in prior year

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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45. PRIOR PERIOD ERRORS (continued)		
STATEMENT OF FINANCIAL POSITION		
Decrease in accumulated surplus	-	41,052,839
Property, plant and equipment	-	(65,212,829)
VAT receivable	-	(1,259,699)
Receivable from non exchange	-	(4,406,028)
Receivable from exchange	-	(43,425,697)
Trade payables	-	(11,158,359)
Retention	-	1,073,016
Surety	-	(207,230)
Other payables	-	5,196,889
Sundry creditors	-	9,905,049
Project accruals	-	56,974,370
Rounding differences	-	(94)
Decrease in surplus for the year	-	11,467,773
	-	-
STATEMENT OF FINANCIAL PERFORMANCE		
Fines and penalties	-	(550)
Repairs and maintenance	-	94
Depreciation	-	(184,525)
Finance cost	-	11,883,120
Contracted services	-	(89,881)
General expenditure	-	39,515
Decrease in surplus	-	11,467,773
IRREGULAR EXPENDITURE		
Irregular expenditure disclosed in 2015/16	-	1,343,984,098
Additional irregular expenditure- upper limits exceeded for remuneration of councillors	-	2,781,571
	-	1,346,765,669
2014/15 ADJUSTMENT		
Decrease in surplus	-	6,165,000
Property plant and equipment	-	(6,165,000)
	-	-

2014-15 Adjustments

Property, plant and equipment correction was a correction for land erf duplicated.
The correction of the error(s) resulted in adjustments as indicated above.

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